



Co-operatives Act 1996

Active membership

Introduction

A co-operative is an organisation that benefits the persons who use its services. Once a person ceases dealing with a co-operative, there is no direct benefit to them in remaining a member of the co-operative.

The now repealed Co-operation Act 1981 did not provide an appropriate mechanism for dealing with those members that have ceased activity with a co-operative. As a result, many co-operatives have a growing number of 'inactive' members. In some cases the inactive members outnumber the 'active' members.

In recognition that co-operatives are user based organisations, the new Co-operatives Act provides a procedure that enables a co-operative to remove from membership existing 'inactive' members and those members who become 'inactive' in the future.

Nature of active membership

The Co-operatives Act 1996 require that a co-operative's rules specify the way and extent to which a member is required to actively support a co-operative. This support is measured against the co-operative's "primary activity" (or a combination of primary activities). Members are obliged to use or support an activity, or activities, of a co-operative in order to retain the right to be a member, including the right to vote.

Primary activities

The primary activity or activities must make up the basic purpose of the co-operative. It, or they, must be a major contribution to the business of the co-operative. The Co-operatives Regulations 1997 prescribe the following matters that may be taken into account in determining a primary activity. The activity should be at least: 10% of the turnover; or 10% of the income; or 10% of the expenses; or 10% of the surplus; or 10% of the co-operative's business; or if the failure by the co-operative to conduct that activity would result in a reduction of 10% or more in the business conducted by the co-operative.

This is not nearly as complex as it sounds. Basically, members are required to be involved in the carrying out of a primary activity.

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The Federation strongly recommends that each co-operative obtains its own professional advice to ensure that the specific circumstance of the co-operative are taken into account.

INFORMATION



Co-operative Federation of Victoria Ltd

RMB 1282 Langs Road
Blampied Victoria 3364

Telephone: 5345 7466
Facsimile: 5348 3253

Email: coopvic@netconnect.com.au

For example, the requirement to meet the primary activity of a buying co-operative could be that each member must have made purchases of \$100 in the previous year from the co-operative. If a member does not meet this requirement that member would cease membership of the co-operative.

Any activity which is designated as a primary activity must be independently verifiable by the co-operative's records. Designation of primary activities should be made with this factor in mind. It would be difficult to maintain such records if the primary activity was that each member maintained a certain level of stock, or spent a prescribed percentage of their income on products from the co-operative.

In determining which members are active or inactive, care must also be taken to ensure that members are not inadvertently excluded. Only members who could be active if the activity test were adopted can vote on its adoption.

The order that the resolutions are part is also a factor which must be taken into account.

For trading co-operatives, any provision in relation to active membership which does other than ensuring this relationship must be approved by the Registrar of Co-operatives. For non-trading co-operatives, the rules may provide that the payment of subscriptions by the date on which they are due and payable is sufficient to constitute active membership.

As active membership is a new requirement in Victoria, each co-operative will need to consider the primary activity or activities appropriate for the co-operative, and the relationship which it will require members to have with their co-operative. This will need to be completed within 2 years of commencement of the Act. This change is the responsibility of the Board of each Co-operative.

The procedure for rule changes is set out in Information Sheet 12. □

TWO EXAMPLES

Example 1: Retail trading co-operative

In accordance with Part 6 of the Act;

- (a) the operation of a trading store providing goods and services to its members is a primary activity of the co-operative; and
- (b) a member shall purchase goods and/or services from the co-operative to the value of a minimum of \$.....per month in order to establish active membership of the co-operative.

Example 2: Child care co-operative

In accordance with Part 6 of the Act;

- (a) the operation of a pre school centre is a primary activity of the co-operative; and
- (b) a member shall:
 - (i) have a child attending the centre;
 - (ii) have a child's name on the waiting list to attend the pre school centre;
 - (iii) provide hours voluntary work during a period of twelve months.